

Bri-Chem Announces 2023 Annual and Fourth Quarter Financial Results

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Edmonton, Canada, March 28, 2024 – Bri-Chem Corp. (“Bri-Chem” or “Company”) (TSX: BRY), a leading North American oilfield chemical distribution and blending company, is pleased to announce its 2023 annual and fourth quarter financial results.

| (in '000s except per share amounts) | Three months ended | | | | Twelve months ended | | | |
|--------------------------------------|--------------------|-----------|---------|-------|---------------------|------------|-------------|-------|
| | December 31 | | Change | | December 31 | | Change | |
| | 2023 | 2022 | \$ | % | 2023 | 2022 | \$ | % |
| Financial performance | | | | | | | | |
| Sales | \$ 26,775 | \$ 26,522 | \$ 253 | 1% | \$ 106,035 | \$ 104,513 | \$ 1,522 | 1% |
| Adjusted EBITDA ⁽¹⁾ | 1,938 | 1,432 | 506 | 35% | 6,576 | 7,372 | (796) | (11%) |
| As a % of revenue | 7% | 5% | | | 6% | 7% | | |
| Operating earnings | 1,034 | 1,040 | (6) | (1%) | 4,731 | 7,824 | (3,092) | (40%) |
| Adjusted net earnings ⁽¹⁾ | 552 | 239 | 313 | 131% | 1,364 | 3,608 | (2,244) | (62%) |
| Net earnings | \$ 467 | \$ 30 | \$ 437 | 1458% | \$ 909 | \$ 8,643 | \$ (7,734) | (89%) |
| Per diluted share | | | | | | | | |
| Adjusted EBITDA ⁽¹⁾ | \$ 0.07 | \$ 0.06 | \$ 0.01 | 17% | \$ 0.25 | \$ 0.28 | \$ (0.03) | (11%) |
| Adjusted net earnings ⁽¹⁾ | \$ 0.02 | \$ 0.01 | \$ 0.01 | 100% | \$ 0.05 | \$ 0.14 | \$ (0.09) | (66%) |
| Net earnings | \$ 0.02 | \$ 0.00 | \$ 0.02 | 1597% | \$ 0.03 | \$ 0.33 | \$ (0.30) | (92%) |
| Financial position | | | | | | | | |
| Total assets | | | | | \$ 68,372 | \$ 78,500 | \$ (10,128) | (13%) |
| Working capital | | | | | 15,927 | 15,434 | 493 | 3% |
| Long-term debt | | | | | 6,731 | 6,918 | (187) | (3%) |
| Shareholders equity | | | | | \$ 22,542 | \$ 22,406 | \$ 136 | 1% |

⁽¹⁾ Non-GAAP financial measure. Refer to “Non-GAAP Financial Measures” in this press release.

Key Q4 2023 highlights include:

- Consolidated sales for the three months ended December 31, 2023 were slightly higher in the quarter over quarter due to increased drilling fluid sales and blending and packaging activities in the Canadian operations, which was offset by decreased US sales caused by a lower average rig count and cementing activities.
- Consolidated gross margin for the three months ended December 31, 2023 decreased by \$410 thousand compared to the same period last year. The gross margin dollar decrease is primarily related to increased shipping costs and pricing concessions made on specific products to maintain market position.
- Adjusted EBITDA for the fourth quarter 2023 increased by \$506 thousand when compared to the same period in the prior year and operating earnings held at \$1 million for the three months ended December 31, 2023 compared to the prior year comparable quarter.
- Adjusted net earnings per diluted share for the three months ended December 31, 2023 was \$0.02 per diluted share compared to \$0.01 per diluted share for the same period last year.
- Working capital, as at December 31, 2023, was \$15.9 million compared to \$15.4 million at December 31, 2022, an increase of 3%. The increase relates to significant decreases in bank indebtedness and accounts payable which were offset by decreased inventory and accounts receivable.

Summary for the three months ended December 31, 2023:

Consolidated sales for the three months ended December 31, 2023 were \$26.8 million compared to \$26.5 million for the same period in 2022, representing a \$253 thousand increase over the comparable period. The increase is directly related to increased drilling fluid sales and blending and packaging activities in Canada, offset by lower US sales driven by a lower US rig count and decreased cementing activities Q4 in 2023.

Bri-Chem's Canadian drilling fluids distribution division generated sales of \$3.9 million for the three months ended December 31, 2023 compared to \$3.5 million in the comparable prior period. The increase relates to sales of a specialty product to a single customer. The number of active operating land rigs in Q4 2023 averaged 181, compared to 189 in the same period last year (Source: Baker Hughes). Bri-Chem's United States drilling fluids distribution division generated sales of \$16.1 million for the three months ended December 31, 2023 compared to sales of \$16.5 million for the comparable period in 2022, representing a quarterly decrease of 2%. This decrease mainly relates to a decrease in the US rig count as the number of active operating land rigs in Q4 2023 averaged 599, compared to a 2022 Q4 average of 761. (Source: Baker Hughes)

Bri-Chem's Canadian blending and packaging division generated sales of \$4.4 million for the three months ended December 31, 2023 compared to Q4 2022 sales of \$3.5 million, representing a quarterly increase of \$842 thousand. The increase in sales relates to higher cementing and stimulation activities in Western Canada. US blending and packaging sales for the three months ended December 31, 2023 were \$2.4 million compared to \$3 million in the prior year. The \$595 thousand decrease relates to decreased cementing activities in specific operating regions in California.

Operating earnings for the three months ended December 31, 2023 was \$1.0 million which is consistent with the same period last year. Adjusted EBITDA was \$1.9 million for Q4 2023 compared to \$1.4 million for Q4 2022, the increase is primarily driven by a lower bad debt expense quarter over quarter. Adjusted EBITDA as a percentage of sales was 7% for the quarter, which is an increase over the 5% in Q4 2022. The Adjusted EBITDA increase is primarily attributable to foreign exchange gain in the quarter.

OUTLOOK

Canadian market fundamentals remain positive with the completion of the Trans Mountain pipeline expansion expected in mid-2024 which will help increase capacity and access to global markets for Canadian oil and gas companies. Bri-Chem expects 2024 oilfield activity in the United States to remain relatively sluggish after experiencing a larger than expected USA rig count decline throughout fiscal 2023. There has been increasing pressure on global freight costs given the shipping concerns in the Middle East which is having an impact on our margins in the short-term. Management believes there is opportunity to realize modest growth in our Canadian blending division through selective product expansion from new and existing customers. Bri-Chem continues to control overheads and employee count to ensure sustainability and balance sheet strength while we manage through rig count and commodity market volatility.

About Bri-Chem

Bri-Chem has established itself, through a combination of strategic acquisitions and organic growth, as the North American industry leader for wholesale distribution and blending of oilfield drilling, completion, stimulation and production chemical fluids. We sell, blend, package and distribute a full range of drilling fluid products from 25 strategically located warehouses throughout Canada and the United States. Additional information about Bri-Chem is available at www.sedarplus.ca or at Bri-Chem's website at www.brichem.com.

To receive Bri-Chem news updates send your email to ir@brichem.com.

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Forward-Looking Statements

Certain statements contained in this press release constitute forward-looking information or forward-looking statements (collectively, "forward-looking statements"). These statements relate to future events or future performance. The use of any of the words "could", "intend", "expect", "believe", "will", "projected", "estimated" and similar expressions and statements relating to matters that are not historical facts are intended to identify forward-looking statements and are based on the Company's current belief or assumptions as to the outcome and timing of such future events. Actual future results may differ materially.

Although the Company believes that the expectations and assumptions on which such forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because the Company can give no assurance that they will prove to be correct. By their nature, such forward-looking statements are subject to various risks and uncertainties, which could cause actual results to differ materially from the anticipated results or expectations expressed herein. These risks and uncertainties, include, but are not limited to general economic conditions, prevailing and anticipated industry conditions, access to debt and equity financing on acceptable terms, levels and volatility of commodity prices, maintained demand for drilling fluids, market forces, ability to achieve geographic expansion through new warehouse locations, anticipated impact of new warehouse locations, ability to obtain equipment from suppliers, ability to maintain negotiating power with suppliers and customers, ability to obtain and retain skilled personnel, competition from other industry participants and regulatory conditions. Readers are cautioned not to place undue reliance on this forward-looking information, which is given as of the date it is expressed in this press release or otherwise. Except as required by applicable law, the Company does not undertake any obligation to publicly update or to revise any of the forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this document are expressly qualified by this cautionary statement.

Non-GAAP Financial Measures

Bri-Chem uses certain measures in this press release which do not have any standardized meaning as prescribed by International Financial Reporting Standards ("IFRS"). These measures, which are derived from information reported in the Company's financial statements, may not be comparable to similar measures presented by other reporting issuers. Investors are cautioned that these measures should not be

construed as an alternative to net earnings and operating earnings determined in accordance with IFRS, and these measures should not be considered to be more meaningful than IFRS measures in evaluating the Company's performance. These measures have been described and presented in this press release in order to provide shareholders and potential investors with additional information regarding the Company. These Non-IFRS measures are identified and defined as follows:

Adjusted Net Earnings, Adjusted Net Earnings per share, Adjusted EBITDA, and Adjusted EBITDA per share.

Adjusted Net Earnings are defined as net earnings/(loss) before non-recurring events, net of corporate income taxes ("**Adjusted Net Earnings**"). Adjusted Net Earnings per share is defined as Adjusted Net Earnings divided by diluted weighted average common shares. Management believes that in addition to net earnings, Adjusted Net Earnings and Adjusted Net Earnings per share are useful supplemental measures that represent normalized net earnings from the business so that financial statement users can make insightful comparisons between current periods and historical results.

Adjusted EBITDA is defined as earnings before interest, taxes, depreciation, amortization, impairment charges, share-based payments, and non-recurring events ("**Adjusted EBITDA**"). Adjusted EBITDA per share is defined as Adjusted EBITDA divided by diluted weighted average common shares. Management believes that in addition to net earnings, Adjusted EBITDA and Adjusted EBITDA per share are useful supplemental measures of operating performance that normalize financing, depreciation, income tax, and other non-recurring charges which are not controlled at the operating level. The following table provides a reconciliation of Net Earnings under IFRS, as disclosed in the financial statements, to Adjusted Net Earnings and Adjusted EBITDA:

| (in 000's) | Three months ended December 31 | | Twelve months ended December 31 | |
|--|-----------------------------------|----------|------------------------------------|----------|
| | 2023 | 2022 | 2023 | 2022 |
| Net earnings | \$ 467 | \$ 30 | \$ 909 | \$ 8,643 |
| Less: | | | | |
| Deferred tax (credit) / expense | 85 | 209 | 454 | (4,142) |
| Property and equipment impairment reversal | - | - | - | (893) |
| Adjusted net earnings | 552 | 239 | 1,364 | 3,608 |
| Add: | | | | |
| Financing costs | 1,001 | 795 | 3,881 | 2,556 |
| Income tax expense | 52 | 88 | 43 | 119 |
| Depreciation and amortization | 333 | 310 | 1,288 | 1,089 |
| Adjusted EBITDA | \$ 1,938 | \$ 1,432 | \$ 6,576 | \$ 7,372 |